

CFCN COMMUNICATIONS

SECOND ANNUAL REPORT / 1973

CORPORATE INFORMATION

DIRECTORS AND OFFICERS

CFCN COMMUNICATIONS LIMITED,
Calgary

*Donald G. Campbell
Chairman of the Board
*Edward W. Chapman
President
*Donald F. Hunter
*Robert W. Lamb
*J. Edward O'Connor
*Sven Ericksen
Gerald J. Luciani
Secretary-Treasurer

CFCN TELEVISION LIMITED,
Calgary

*Donald G. Campbell
Chairman of the Board
*Edward W. Chapman
President
*Robert W. Lamb
Vice-President
*Donald F. Hunter
*James A. Love
*J. Edward O'Connor
Herbert G. Marshall
Vice-President/Manager
Gerald J. Luciani
Vice-President/Finance and Secretary

TRANSFER AGENT AND REGISTRAR

The Royal Trust Company; Toronto,
Montreal, Calgary, Vancouver

STOCK EXCHANGE LISTINGS

Toronto Stock Exchange
Montreal Stock Exchange

THE VOICE OF THE PRAIRIES LIMITED, CFCN RADIO,
Calgary

*Donald G. Campbell
Chairman of the Board
*Edward W. Chapman
President
*Robert W. Lamb
Vice-President
*Donald F. Hunter
*William N. Love
*J. Edward O'Connor
Norman H. Haines
Vice-President/Manager
Gerald J. Luciani
Vice-President/Finance and Secretary

GREATLAKES BROADCASTING SYSTEM LIMITED,
Kitchener-Chatham

*Donald F. Hunter
Chairman of the Board
*Donald G. Campbell
President
*Donald E. Reiffenstein
Manager CFCO, Chatham
*John F. Larke
Manager CHYM, Kitchener
Douglas C. Trowell
Executive Vice-President
Dorman G. Ulens
Secretary-Treasurer

*Directors

THE YEAR AT A GLANCE

Highlights

	<u>1973</u>	<u>1972</u>	<u>Percent change</u>
Revenues	\$7,807,000	\$7,129,000	9.5
Operating Expenses (including Depreciation)	5,569,000	5,128,000	8.6
Income Taxes	1,126,000	954,000	18.0
Net Income for the year			
—Total	1,112,000	1,047,000	6.2
—Per Share	<u>74.1¢</u>	<u>69.7¢</u>	6.2
Dividends—Total	480,000	330,000	
—Per Share	<u>32.0¢</u>	<u>22.0¢</u>	
Working Capital	2,562,000	2,031,000	26.1
Capital Expenditures	326,000	375,000	

Disposition of Revenue

	<u>1973</u>	<u>Percent</u>	<u>1972</u>	<u>Percent</u>
Revenue—Television	\$4,311,000	55.2	\$3,845,000	53.9
—Radio	2,765,000	35.4	2,644,000	37.1
—Production, Interest, Other	731,000	9.4	640,000	9.0
	<u>7,807,000</u>	<u>100.0</u>	<u>7,129,000</u>	<u>100.0</u>
Operating Expenses	5,250,000	67.2	4,835,000	67.8
Depreciation	319,000	4.1	293,000	4.1
Income Taxes	1,126,000	14.5	954,000	13.4
Dividends	480,000	6.1	330,000	4.6
Retained in Company	632,000	8.1	717,000	10.1

REPORT TO THE SHAREHOLDERS

CFCN COMMUNICATIONS IS:

CFCN TELEVISION

Broadcasting over;

Channel 4, Calgary, Alberta
Channel 13, Lethbridge, Alberta
Channel 8, Banff, Alberta
Channel 6, Lake Louise, Alberta
Channel 6, Waterton Lakes, Alberta
Channel 10, Drumheller, Alberta
Channel 11, Pincher Creek, Alberta
Channel 5, Burmis, Alberta
Channel 7, Sundre, Alberta
Channel 12, Hand Hills, Alberta
Channel 2, Oyen, Alberta
Channel 9, Brooks, Alberta
Channel 10, Bassano, Alberta
Channel 6, Invermere, British Columbia
Channel 8, Parsons, British Columbia
Channel 4, Field, British Columbia

providing coverage from Red Deer in Central Alberta, south to the U.S. Border, and from the East Kootenays and Columbia River Valley in British Columbia, east across Alberta into Saskatchewan. We have applied to the Canadian Radio-Television Commission for a transmitter in Medicine Hat that, if approved, would give us complete coverage over South Central and Southern Alberta.

CFCN-TV maintains production studios in Calgary and in Lethbridge. Our five colour camera mobile facilities originate Western Canadian football and other actualities from Calgary, Edmonton, Regina and Winnipeg to the CTV Network.

CFCN-TV is a charter member of the CTV Network.

Our major emphasis in local/regional programming is on news and public affairs as well as the production of specials. At the Can-Pro '74 local TV programming festival, we were awarded First Runner-Up for all Canadian cities over 300,000 population with the special "A Matter of Life or Death", and a Special Mention for our production of "A Christmas Gift of Music" with the Calgary Philharmonic and Chorus. We have produced additional episodes of our series "Outdoors Unlimited" with Keith McColl, which emphasizes the vanishing life-styles of native Canadians in the Arctic.

We now have 36 original episodes in this series, and the program is syndicated in other Canadian markets.

A representative sample of specials produced and telecast in 1973:

1. The Calgary Stampede
2. Western Economic Opportunities Conference
3. Rail Birds and Early Birds (documentary on horseracing)

4. Spring International Horse Show
5. Skate Canada
6. Opening of Alberta Legislature (live coverage)
7. Miss Calgary Pageant
8. Antique Car Rally

CFCN Television was awarded both the H. G. Love Grand Prize and runner-up for the Best Television Advertising Campaign in 1973.

Our television operation enjoyed another record year.

Revenue, from all sources, was in excess of budget forecast and represented a 14% increase over the previous year.

Expenses were kept under control with the majority of expense increase being allocated to programming costs.

The profit results were ahead of budget and a 16% improvement over 1972.

1973 was a year of expansion in several areas.

Our Lethbridge television operation is now converted to full-colour and operating in a new facility. This will represent more local programming of an improved nature which will ultimately improve our audience position in Southern Alberta.

Our weekly circulation surpassed 700,000 people in 1973 with the promise of continued audience expansion in Southern Alberta throughout 1974.

While agreement was reached with the local cable company operators concerning deletion of U.S. commercials on the cable systems, we have just concluded the experimentation in this area and are now in commercial deletion on both of the U.S. network signals. This should help repatriate budgets of retail advertisers and prevent national advertisers from counting overflow advertising when determining budgets for Calgary.

1973 also saw our first beer and wine commercials and we expect that this category of business will be a significant factor in our revenue growth in 1974.

Throughout 1973, CFCN Television maintained its dominant rating position of Metro Calgary.

CFCN PRODUCTIONS

Presently inactive. All outside contracted production is now being recorded through CFCN Communications.

CFCN RADIO

Transmits at 50,000 watts on 1060 kHz in Calgary, Alberta. The format is Middle of the Road music and information.

We have acquired the Western Football League broadcast rights for Southern Alberta.

CFCN has initiated helicopter traffic reports in Calgary, the only service of its kind west of Ontario. Our research showed that Calgary, with the highest ratio of cars per capita in Canada, had a traffic problem that this service could ease, and initial public and advertiser response has been extremely positive.

Over the last three years, CFCN Radio has been adjusting its format to take advantage of a rapidly changing, growing market. We are satisfied that our change-over has now been accepted and we can expect CFCN in 1974 to move into the dominant position in Calgary radio.

Entirely new sales-planning methods were introduced in the Fall of 1973, and we are now seeing a strong turn-around in revenues.

CFVP SHORT WAVE

Simultaneous broadcasting of CFCN Radio at 6030 kHz on the short-wave 49-metre band.

CHYM RADIO (AM)

Broadcasting at 10,000 watts over 1490 kHz in Kitchener-Waterloo, Ontario. Programming is Middle of the Road music and information.

CHYM Radio received a first place award from the Broadcasters' Promotion Association at Michigan State University for "Radio Audience Promotion" in 1973. We were the only Canadian radio or television station so honored in this international competition.

CHYM-AM remains #1 in audience, in its market.

CHYM RADIO (FM)

Broadcasting at 96.7 mHz in Kitchener-Waterloo, Ontario. In 1971 CHYM-FM's format was changed to contemporary country music and since then the listening audience has grown from 23,000 to 58,000. Anticipating FM regulation changes by the Canadian Radio-Television Commission, CHYM-FM has completed planning to ensure the least possible disruption of programming and revenues.

1974 will mark the Silver Anniversary Year for CHYM-FM and special programming, sales and promotional activities will take place.

CFCO RADIO

Broadcasting at 10,000 watts on 630 kHz out of Chatham, Ontario. Programming is Middle of the Road music and information.

The continued revenue growth reflects its involvement in the growing City of Chatham and the rich agricultural community surrounding it. CFCO delivers 73% of all radio listening audience in Chatham and 72% of Kent County.

CFCO's application, filed with the Canadian Radio-Television Commission, for a 50,000 watt FM station is still awaiting the implementation of the FM guidelines.

For the second consecutive year, CFCO received recognition from the Radio and Television News Directors' Association for a documentary.

PAUL MULVIHILL LIMITED

In 1973, CFCN Television appointed Paul Mulvihill Limited as our national sales representatives in Eastern Canada. CFCN Communications Limited has taken a minority position in that company.

SUMMARY

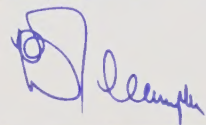
In summary, CFCN Television and Greatlakes Broadcasting had a record year in revenues and profits. CFCN Radio experienced a severe decline in revenues in early 1973. Despite this, coupled with increased costs and declining revenues from CTV and an increase in excess of 5% in the Income Tax Rate (which in fact cost nearly 4¢ per share on a comparative basis), CFCN Communications realized a modest profit increase of 6.2% in 1973.

Your company's operations are all located in two of Canada's great growth markets, Southern Alberta and Ontario's Golden Triangle. Calgary alone, as the petroleum industry's head office capital, has almost \$1 billion in construction projects just completed, under construction or approved. Industrial expansion in the petrochemical and related fields in Southern Alberta is in a strong growth period. Kitchener-Waterloo and surrounding areas are enjoying a tremendous industrial and population growth. Both the Chatham area and Southern Alberta economy have firm agricultural bases at a time of world-wide food demand.

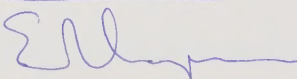
The only area of longer-term concern we report to you is the effect the 10% inflation rate will have on our national advertising revenues and our labour costs. Local/Regional revenues in all of your operations are well ahead of average because we are located in growth markets, and we expect these will more than offset any decline in national revenues that may occur.

Your company is in a strong working capital position. We are continuing to explore the acquisition of desirable properties.

Chairman



President



CFCN COMMUNICATIONS LIMITED

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

FOR THE YEARS ENDED DECEMBER 31, 1973 AND 1972

	1973	1972
Revenues:		
Broadcasting—		
Television	\$4,311,000	\$3,845,000
Radio	2,765,000	2,644,000
Production and other	640,000	595,000
Income from short term investments —		
Affiliated companies	65,000	—
Other	26,000	45,000
	<u>7,807,000</u>	<u>7,129,000</u>
Operating expenses	<u>5,250,000</u>	<u>4,833,000</u>
Operating income before depreciation and interest	<u>2,557,000</u>	<u>2,296,000</u>
Deduct:		
Depreciation	319,000	293,000
Interest	—	2,000
	<u>319,000</u>	<u>295,000</u>
Income before income taxes	2,238,000	2,001,000
Income taxes	1,126,000	954,000
Consolidated net income for the year	<u>1,112,000</u>	<u>1,047,000</u>
Retained earnings at beginning of year	751,000	34,000
	<u>1,863,000</u>	<u>1,081,000</u>
Dividends paid or payable	480,000	330,000
Retained earnings at end of year	<u>\$1,383,000</u>	<u>\$ 751,000</u>
Earnings per common share	<u>74.1¢</u>	<u>69.7¢</u>

See accompanying notes.

CFCN COMMUNICATIONS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 1973 AND 1972

ASSETS

	1973	1972
CURRENT:		
Cash and short term deposits	\$ 292,000	\$ 1,195,000
Accounts receivable	1,758,000	1,413,000
Advances to affiliated companies (Note 2)	1,200,000	—
Prepaid expenses	101,000	146,000
Total current assets	3,351,000	2,754,000
INVESTMENTS AND ADVANCES AT COST (Note 3)	196,000	121,000
FIXED ASSETS AT COST (Note 4):		
Land	318,000	308,000
Buildings	518,000	518,000
Broadcasting equipment	3,956,000	3,642,000
	4,792,000	4,468,000
Less accumulated depreciation	2,803,000	2,486,000
	1,989,000	1,982,000
EXCESS OF COST OF ACQUIRING SUBSIDIARIES OVER THE VALUE OF NET TANGIBLE ASSETS ACQUIRED (Note 5)	9,389,000	9,389,000
	<u>\$14,925,000</u>	<u>\$14,246,000</u>

LIABILITIES

CURRENT:		
Accounts payable	\$ 397,000	\$ 331,000
Income taxes payable	272,000	272,000
Dividend payable	120,000	120,000
Total current liabilities	789,000	723,000
DEFERRED INCOME TAXES	221,000	240,000

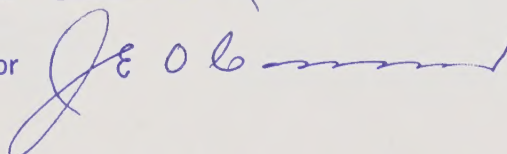
SHAREHOLDERS' EQUITY:

Share capital (Note 6)		
Authorized — 3,000,000 common shares without par value		
Issued — 1,500,000 common shares	12,532,000	12,532,000
Retained earnings	1,383,000	751,000
	13,915,000	13,283,000
On behalf of the Board:	<u>\$14,925,000</u>	<u>\$14,246,000</u>

Director



Director



See accompanying notes.

CFCN COMMUNICATIONS LIMITED

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEARS ENDED DECEMBER 31, 1973 AND 1972

	1973	1972
Source of funds:		
Operations —		
Consolidated net income for the year	\$1,112,000	\$1,047,000
Add (deduct):		
Depreciation	319,000	293,000
Deferred income taxes	(19,000)	24,000
Funds provided by operations	1,412,000	1,364,000
Proceeds on realization of investment	—	242,000
Total funds provided	1,412,000	1,606,000
Application of funds:		
Additions to fixed assets (net)	326,000	375,000
Repayment of long term bank loan	—	340,000
Investments and advances	75,000	—
Dividends paid or payable	480,000	330,000
Total funds applied	881,000	1,045,000
Increase in working capital	531,000	561,000
Working capital at beginning of year	2,031,000	1,470,000
Working capital at end of year	\$2,562,000	\$2,031,000

See accompanying notes.

AUDITORS' REPORT

To the Shareholders of
CFCN Communications Limited

We have examined the consolidated statement of financial position of CFCN Communications Limited and its subsidiaries as at December 31, 1973 and the consolidated statements of income and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1973, the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Canada.
February 11, 1974.

Clarkson, Gordon & Co.
Chartered Accountants.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1973

1. Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries as follows:

CFCN Television Limited
CFCN Productions Limited
The Voice of the Prairies Limited
Greatlakes Broadcasting System Limited

2. Advances to affiliated companies

The advances to affiliated companies are evidenced by demand notes and bear interest at the bank prime lending rate. Advances at December 31, 1973 are as follows:

Shoreacres Broadcasting Company Limited	\$ 900,000
Maclean-Hunter Cable TV Limited	200,000
Co-operative Book Centre of Canada Limited	100,000
	<u>\$1,200,000</u>

3. Investments and advances

	<u>1973</u>	<u>1972</u>
CTV Television Network Ltd. Common and preferred shares	\$ 63,000	\$121,000
Special irredeemable participating debenture	58,000	
Paul Mulvihill Limited Common shares and advances	75,000	
	<u>\$196,000</u>	<u>\$121,000</u>

4. Fixed assets and depreciation

The companies provide depreciation on a straight-line basis at the following rates

which are designed to write off the assets concerned over their estimated useful lives:

Buildings	5%
Broadcasting equipment	10%

5. Restatement

During the year a subsidiary was reassessed for additional income taxes and interest of \$10,000 pertaining to a period prior to the Company's investment in the subsidiary. Accordingly the excess of cost of acquiring subsidiaries over the value of net tangible assets acquired at December 31, 1972 of \$9,379,000 as previously reported has been increased by \$10,000 and income taxes payable at December 31, 1972 has been increased correspondingly.

6. Share transfer restriction

The directors of the Company may refuse to register a transfer of shares in the capital of the Company if the registration of such transfer might in the opinion of the directors adversely affect the status of the Company or any of its subsidiaries to hold a broadcasting licence under the Broadcasting Act (Canada).

7. Lease obligations

Subsidiary companies are committed to make total lease rental payments of \$592,000 under leases expiring 1974 to 1987. Lease rental payments for the years 1974 to 1978 are as follows: 1974—\$65,000; 1975—\$62,000; 1976—\$62,000; 1977—\$64,000; 1978—\$52,000.

8. Remuneration of directors and senior officers

The aggregate direct remuneration paid during the year to directors and senior officers was \$78,000 (1972—\$73,000).

CFCN COMMUNICATIONS LIMITED

SIX-YEAR SUMMARY (ooo's omitted)

	Consolidated		Combined constituent companies			
Operating Results	1973	1972	1971	1970	1969	1968
REVENUE						
Broadcasting						
Television	\$4,311	\$3,845	\$3,349	\$3,178	\$2,878	\$2,329
Radio	2,765	2,644	2,499	2,231	2,030	1,859
Production, Interest, Other	731	640	531	403	223	234
Total Revenue	7,807	7,129	6,379	5,812	5,131	4,422
Operating Expenses, except Depreciation	5,250	4,835	4,386	4,000	3,604	3,243
Operating Income	2,557	2,294	1,993	1,812	1,527	1,179
Depreciation	319	293	263	287	276	237
Income Before Taxes	2,238	2,001	1,730	1,525	1,251	942
Income Taxes	1,126	954	868	813	652	470
Income Before Special Item	1,112	1,047	862	712	599	472
Extraordinary Item	—	—	18	23	29	31
Net Income	1,112	1,047	880	735	628	503
Net Income as a Percentage of Revenue	14.2	14.7	13.8	12.6	12.2	11.4
Net Flow of Funds from Operations	1,412	1,364	1,171	1,052	947	765
Dividends Paid	480	330	301	256	251	—
Year-end Financial Position						
Current Assets	\$3,351	\$2,754	\$2,014	\$1,485	\$1,418	\$1,031
Less: Current Liabilities	789	723	544	1,048	1,574	1,286
Working Capital	2,562	2,031	1,470	437	(156)	(255)
Working Capital Ratio	4.25:1	3.81:1	3.70:1	1.42:1	.90:1	.80:1
Investments	196	121	363	351	338	320
Fixed Assets-Net	1,989	1,982	1,900	1,811	1,906	1,852
Other Assets	—	—	—	—	2	16
Excess of Cost of Acquiring Subsidiaries over Value of Net Tangible Assets Acquired	9,389	9,389	9,389	491	491	491
Long Term Debt	—	—	340	210	210	472
Deferred Income Taxes	221	240	216	188	158	116
Shareholders Equity	13,915	13,283	12,566	2,692	2,213	1,836
Per Share Data						
(Based on 1,500,000 Shares Outstanding)						
Net Income	74.1¢	69.7¢	58.7¢	49.0¢	41.8¢	33.5¢
Net Flow of Funds from Operations	94.1¢	90.9¢	78.1¢	70.1¢	63.1¢	51.0¢
Dividends Paid	32.0¢	22.0¢	—	—	—	—

AR09

CFCN
COMMUNICATIONS
LIMITED

Report for the six months
ended June 30, 1973

CFCN COMMUNICATIONS LIMITED

CONSOLIDATED STATEMENT OF INCOME (not audited)

Three months ended

June 30 1973 1972

Revenue:

Broadcasting — Television	\$1,091	\$ 940
— Radio	779	726
Production and other	96	103
Total Revenue	<u>\$1,966</u>	<u>\$1,769</u>
Income before taxes	<u>\$ 586</u>	<u>\$ 500</u>
Income taxes	294	239
Consolidated net income	<u>\$ 292</u>	<u>\$ 261</u>
Dividends declared	<u>\$ 120</u>	<u>\$ 105</u>

Per share data:

Consolidated net income	19.5c	17.4c
Dividends declared	8.0c	7.0c

Note: 1972 revenue items have been adjusted due to reclassification of accounts. Consolidated net income is not affected by these changes.

Six months ended
June 30

1973 1972

	1973	1972
	—000—	—000—
	\$2,071	\$1,875
	1,330	1,305
	228	203
	<u>\$3,629</u>	<u>\$3,383</u>
	<u>\$ 939</u>	<u>\$ 895</u>
	471	428
	<u>\$ 468</u>	<u>\$ 467</u>
	<u>\$ 240</u>	<u>\$ 105</u>

	31.2c	31.1c
	16.0c	7.0c

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS (not audited)

Six months ended
June 30

1973 1972

Source of funds

Operations		
Consolidated net income	\$468	\$467
Depreciation	163	146
Total funds from operations	<u>\$631</u>	<u>\$613</u>
Proceeds from sale of investment	—	242
	<u>\$631</u>	<u>\$855</u>

Application of Funds:

Additions to property net	\$221	\$235
Dividends	240	—
Repayment of long term debt	—	312
Other	9	—
	<u>\$470</u>	<u>\$547</u>
	161	308
	<u>\$631</u>	<u>\$855</u>

Increase in working capital

Dear Shareholder:

The second quarter results show an increase in consolidated revenues of 11.1% from \$1,769,000 in 1972 to \$1,966,000 in 1973. Of that increase, television revenues increased 16.1% over last year and radio 7.3% over last year.

Consolidated net income for the quarter increased 11.9% to \$292,000, or 19.5c per share, as compared with \$261,000, or 17.4c per share for last year.

Consolidated net income for the six months is \$468,000, or 31.2c per share, as compared with \$467,000, or 31.1c per share for last year. Income taxes for the first half are 10% above last year reflecting the increase in rates.

CFCN-TV is applying to the CRTC for a broadcaster of CFCN-TV Lethbridge to serve the city of Medicine Hat and surrounding area.

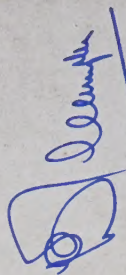
CFCN-TV has changed its Canadian national sales representation to Paul Mulvihill Limited and your company has taken a minority equity position in that company.

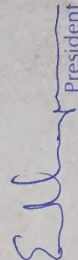
The Company has funds for investment in other operations, but to date, in spite of actively searching for companies that fall within the guidelines, none have come to our attention.

A consolidated statement of source and application of funds for the first six months with comparative figures for the same period last year is included for your information.

A dividend payable on July 30, 1973, to shareholders of record July 6, 1973, of 8c per share has been declared by your board of directors.

Sincerely,


Chairman


President

AR09

Television bookings for 1974 are strong, although some advertisers have moved to shorter campaigns with renewal options.

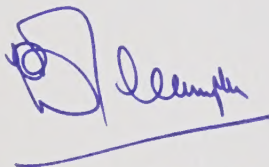
CFCN Radio has acquired the rights for southern Alberta to Western Conference CFL Football for the next three years.

Bookings for 1974 on Calgary radio are substantially ahead of last year's at the same date. A considerable portion of this increase reflects longer, more substantial campaigns by both national and regional advertisers.

CFCO Radio in Chatham exceeded expectations in 1973 and enjoyed a most successful year. Both CFCO and CHYM in Kitchener report increased bookings for 1974, compared with the situation at the beginning of 1973.

Your Board of Directors has declared a dividend payable January 30, 1974, to shareholders of record January 4, 1974, of 8¢ per share.

Sincerely,



Chairman



President

CFCN **COMMUNICATIONS** **LIMITED**

Preliminary report for
the 12 months ended
December 31, 1973

CFCN COMMUNICATIONS LIMITED

CONSOLIDATED STATEMENT OF INCOME (not audited)

	Three months ended December 31		Twelve months ended December 31	
	1973	1972	1973	1972
Revenue:				
Broadcasting — Television	\$1,411	\$1,262	\$4,311	\$3,845
— Radio	779	711	2,765	2,644
Production and other	236	194	731	640
Total Revenue	<u>\$2,426</u>	<u>\$2,167</u>	<u>\$7,807</u>	<u>\$7,129</u>
Income before taxes	\$ 925	\$ 777	\$2,238	\$2,001
Income taxes	467	370	1,126	954
Consolidated net income	<u>\$ 458</u>	<u>\$ 407</u>	<u>\$1,112</u>	<u>\$1,047</u>
Dividends declared	\$ 120	\$ 120	\$ 480	\$ 330
Per share data:				
Consolidated net income	30.5¢	27.1¢	74.1¢	69.7¢
Dividends declared	8.0¢	8.0¢	32.0¢	22.0¢

Dear Shareholder:

The unaudited preliminary results of your company for 1973 again show records in both revenue and consolidated net income.

Consolidated net income for the full year 1973 was \$1,112,000 (74.1¢ per share) compared with \$1,047,000 (69.7¢) for 1972.

Revenue for the fourth quarter increased by 12% from \$2,167,000 in 1972 to \$2,426,000 in 1973. The last quarter's consolidated net income increased by 12.5% from \$407,000 in 1972 to \$458,000 in 1973, or from 27.1¢ to 30.5¢ per share.

CFCN-TV has signed an agreement in principle with the CBC affiliate in Medicine

Hat that will support our application to the Canadian Radio-Television Commission for a rebroadcasting station there. If approved, this will enable us to provide alternate service to southeastern Alberta and portions of southwestern Saskatchewan.

The construction of our new office and studio facilities in Lethbridge is ahead of schedule and we expect them to be operational by March 1, 1974. The new facilities will improve our competitive situation in sales and give us better cost control.

The equipment for deletion of commercials from American broadcasting on cable in Calgary is now being tested. We expect to start some commercial deletion on February 1, 1974.